BEFORE THE STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL

IN RE APPLICATION NO. 99-1 SUMAS ENERGY 2 GENERATION FACILITY	EXHIBIT _____ (DD-T)

CITY OF SUMAS PREFILED DIRECT TESTIMONY

WITNESS #2: DAVID DAVIDSON

Q. Please introduce yourself to the Council.

A. My name is David Davidson. I am the City Administrator of the City of Sumas.

Q. What is the subject of your testimony?

A. My testimony will address three issues. First, I will describe my background and experience. Second, I will discuss the utility supply commitment made by the City of Sumas to the proposed facility. Third, I will describe benefits of the proposed project to the City.

Q. Please describe your background and experience.

A. After 14 years of work as a software developer and a schoolteacher, I changed careers in 1990 and focused on public administration. I received a Master's degree in public administration in 1992 and began work as a municipal administrative and planning consultant. I worked in a consultant capacity for the City of Sumas and other small cities until 1997, at which point I took a position as City Administrator for the City of Sumas. During my 8 years of association with Sumas I have focused primarily on planning and public works issues. I have helped the City develop several plans, including a Comprehensive Land Use Plan, Shoreline Master Program, Floodplain Management Plan, Wellhead Protection Program, and Water System Comprehensive Plan. I was closely involved in Sumas's effort to build a cross-border sewer line and contract for sewer service with the City of Abbotsford. I was also the main author of the City's 1999 Water System Comprehensive Plan, working under the supervision of an engineering consultant.

With respect to the SE2 project, I have been the main point of contact between the proponents and the City since the project began. I have analyzed the Project on the City's behalf,

supervised consultants that the City has hired to evaluate the Project, and negotiated agreements between the City and SE2.

Utility Supply Commitment to SE2

Q. Please describe the water supply commitment the City has made to the SE2 project.

A. In November of 1999 the City issued a Certificate of Water and Sewer Availability ("Certificate") to the project. The Certificate has already been made a part of the record as Exhibit ____ (BC-3). Briefly, the City agreed, under certain conditions, to provide an annual maximum of 1,053 acre-feet of nonpotable water to the project at a peak rate of 849 gallons per minute. The City will also supply the potable water needed for the facility's office space.

Since issuance of that Certificate, SE2 has made changes to its wastewater treatment technology that have the effect of reducing the amount of process water that must be supplied to the project. SE2 and Sumas have therefore agreed to a supply volume of 1,025 acre-feet per year of nonpotable water. The commitment to this new volume is evident in a stipulation that will be filed with EFSEC.

Q. Can the City provide the water service described in the Certificate?

A. Yes. With respect to physical ability to deliver the water, the City will need to install certain infrastructure improvements, as conceptually identified in Condition (1) of the Certificate. The need for the improvements became evident during the process of developing the City of Sumas Water System Comprehensive Plan ("WSCP"), the relevant portions of which are attached as Exhibit _____ (DD-1). Chapter 3 of the WSCP includes descriptions of the source capacity of the City's two well fields. The information in the WSCP is validated by other reports that are already part of the record, including Appendices C-2, C-3, and C-4 of the subject Site Application. Chapter 3 of the WSCP then goes on to generally describe the kinds of improvements needed to serve the SE2 facility. Detailed design of specific improvements will occur later in the development process.

With respect to the ability to withdraw the water, the WSCP also includes an evaluation of water rights adequacy demonstrating that the City's water rights are sufficient to serve SE2. In brief, the City has two "umbrella" water rights – one pertaining to the May Road nonpotable well field, and one pertaining to the Sumas potable well field. The May Road water right allows the City to withdraw up to 1,402.8 acre-feet of water per year. Of that amount, 751 acre-feet is allocated for use of the existing cogeneration facility, leaving 651.8 acre-feet that would be used by SE2. The balance of the water allocated to SE2 is 373.2 acre-feet (1,025 acre-feet minus 651.8 acre-feet), which would be withdrawn at the Sumas potable well field. The Sumas well field water right allows a maximum withdrawal of 1,919 acre-feet per year. The largest annual withdrawal ever made at the Sumas well field was 1,149 acre-feet. Subtracting both the historic maximum and the SE2 allocation from the potable water right limit leaves an unallocated annual volume of 396.8 acre-feet (1,919 acre-feet minus 1,149 acre-feet and minus 373.2 acre-feet).

Q. Has the City reserved enough water for its own future use?

A. The Sumas City Council believes so. Prior to committing water to SE2, the City evaluated its own water needs in the coming 20-year planning horizon. We contacted our three major wholesale customers and asked them to provide water demand forecasts. We also developed a forecast of Sumas's future demand, assuming that residential, commercial, and industrial growth would occur consistent with our Comprehensive Land Use Plan. A conservative consolidated forecast was then prepared, identifying the future needs of the City and its major customers. After reserving the water identified in that forecast for our own use, the remaining water was allocated to the SE2 facility. I earlier said that 396.8 acre-feet per year is the amount reserved for our growth. Note that the existing annual consumption of the cities of Nooksack and Sumas combined is only 249 acre-feet. Enough has been reserved to allow each City to more than double in size. As mentioned earlier, the allocation to SE2 has now been reduced by stipulation to 1,025 acre-feet per year, which provides an even larger cushion in the forecast. All of this analysis was performed in the context of development of the WSCP, and the results are documented there. The 20-year horizon is the standard planning horizon specified by the Washington State Department of Health in its *Water System Planning Handbook.*

Q. Can you describe the safety margin built into the water demand forecast?

A. The safety margin is discussed at the bottom of page 2-9 of the WSCP. Basically, the demand forecast assumes consumption values per-household that are higher than the actual values computed from meter records. For instance, consumption of 250 gallons per day per household was assumed for the City of Sumas, even though a consumption value of 225 gallons per day per household was derived from actual 1997 meter data. The difference between the two values amounts to 25 gallons per day, which is a 10 percent cushion. The cushion is intended to ensure that the City has accounted even for very hot years, when water consumption increases.

Another way to confirm the conservative nature of the forecast is to compare the annual amount of water <u>actually</u> consumed to the amount of water <u>assumed for planning purposes</u> to be consumed. Looking through the six pages of actual consumption data presented on pages 2-2 through 2-6 of the WSCP, the largest amount of potable water actually pumped in any calendar year was 50,064,506 cubic feet in 1998. This is equivalent to 1,149 acre-feet. In contrast, the demand forecast on page 2-11 characterizes 1998 potable consumption as 1,259 acre feet, an amount that is 9.6 percent larger than reality.

Q. If the SE2 facility is never built, what would become of the water now allocated to SE2?

A. The water would hopefully be used by one or more other future industrial customers. The City is in the midst of a long-term focused effort to develop an industrial base. With City encouragement, the Port of Bellingham developed its Sumas International Cargo Terminal industrial park in the late 1980s, and the City went on to annex and rezone several additional parcels in the period between 1990 and 1998. Aside from tenants that the Port was able to attract to its industrial park, which include a truck-rail reload facility and the existing Sumas

cogeneration plant, the City was able to attract two major industries (an asphalt shingle manufacturing plant and a feed mill), as well as some smaller businesses. Through the efforts of the Port and the City, there is now a well developed infrastructure throughout the industrial zone. The City's Comprehensive Land Use Plan establishes the framework for industrial growth and specifically mentions water availability as a factor that would attract certain industries.

It is important to understand that most of the water allocated to SE2 can only be used for industrial purposes. Water withdrawn at the May Road well field pursuant to water right permit G1-26398P can be used only for industrial purposes, and 651 acre-feet of the water committed to SE2 falls into that category. If SE2 does not use that water, the City would try to find another desirable industry to make use of this important economic resource.

Q. Please describe the sewer supply commitment the City has made to the SE2 facility.

A. The Certificate of utilities availability I mentioned earlier, included as Exhibit ____ (BC-3), contemplated that Sumas would arrange with the City of Abbotsford and the Fraser Valley Regional District ("FVRD") to augment an existing sewage service agreement in an amount sufficient to accommodate the new flows from SE2. Subsequent to issuance of the Certificate last year, I understand that both Abbotsford and FVRD have said they will not augment the existing agreement in order to accommodate SE2. The City of Sumas will therefore provide sewer service in a manner different than described in the Certificate.

There is an existing contract for sewage service between the City of Sumas and Sumas Cogeneration Company, L.P. ("SCCLP"), the owner of the existing cogeneration facility. That contract allows SCCLP to discharge up to 80,000 gallons per day of wastewater to the Sumas sanitary sewer, provided that wastewater quality meets all applicable codes. SE2 and SCCLP are affiliated companies. The City of Sumas has notified SE2 that the existing 80,000 gpd allocation to SCCLP is the only discharge capacity that will be available to the two cogeneration facilities combined. Sumas's Witness No. 1, Margaret Curtis, has provided testimony verifying the capability of the Sumas sewer system to accommodate a combined flow of 80,000 gpd from the two generation facilities.

The existing sewage service agreement between Abbotsford, Sumas, and FVRD contains no provisions that would prevent the City of Sumas from accepting the flow from SE2 under this scenario.

Project Benefits to Sumas

Q. What benefits does the SE2 project bring to the City of Sumas?

A. There are many direct and indirect benefits of the project within Sumas and the surrounding community. The annual property taxes paid by the project to the City will be on the order of $900,000. To put that in perspective, it is an amount almost equal to the entire existing annual expenditure in the current expense fund, which is the fund that covers all general governmental services, including parks, police, fire service, and general administrative

services. This large infusion of revenue would enable the City to do various planned projects that have so far been unaffordable, such as buy-out of flood-prone properties to create flood conveyance corridors, installation of sidewalks, reconstruction of substandard streets, and development of a larger ballfield complex. Thinking of the broader community and region, SE2 will also pay about $3 million per year of property taxes to other taxing districts such as Whatcom County, the County library district, the Nooksack Valley School District, the Port of Bellingham, and the State of Washington.

The jobs associated with construction and operation of the project will be a major benefit to the community. Downtown businesses and local construction workers and firms will benefit from the construction phase, and the 24 permanent high-wage jobs are a major benefit in a City as small as Sumas.

There are major project benefits associated with the City's water utility. At today's rates, water sales to SE2 would bring in about $155,000 per year, as compared to an existing rate base of about $325,000 per year. Again, the revenue infusion would allow the City to undertake planned projects without the need for a rate increase. In fact it's very likely that there would be a water rate decrease.

The stipulation between SE2 and Sumas requires SE2 to fund several public works projects that are very beneficial to the community. Foremost is the commitment to pay essentially the entire cost of a water treatment plant for nitrate removal, should such a plant become necessary in the future. This commitment eliminates a major concern not only for Sumas, but also for all the customers within Sumas's indirect water service area, which extends over about 20 square miles of rural Whatcom County. The agreement also calls for installation of new wells at both the May Road and the Sumas potable well field. These wells will increase system reliability for all water customers. Finally, the agreement requires an electric line upgrade and a road pavement project that will benefit all the major industries located in Sumas.

I also expect that the community will benefit from future charitable gifts from SE2. The existing co-gen plant has been generous over the years, paying for a new restroom building in the City park, the entire private match for a computer grant sought by the school district, and a major portion of the high school's annual "Close Up" program, which allows students to visit Washington D.C. and watch the federal government in action. The same good corporate citizens are developing this second plant, and there's every likelihood they will continue their support of local programs.

Looking back to the birth of the first cogeneration project, the City has now had over ten years of history with these proponents. They have proven themselves to be trustworthy, open, and easy to work with. These qualities are another reason that City officials are supportive of the SE2 Project. SE2 is the kind of company the City tries to bring to town.

END OF TESTIMONY

I declare under penalty of perjury under the laws of the State of Washington that the foregoing testimony is true and correct to the best of my knowledge .

DATED this _____ day of June 2000 at Sumas, Washington.

David Davidson